

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JUNE 22, 2004

PRESENT: Chairman Anthony Maiola and Commissioner Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Aidan Moore, Chief of Enforcement; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer.
Guests: Al Picconi, United Beverages, Inc.

EXCUSED: Commissioner John Byrne; Peter Engel, Director of Store Operations.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Y-T-D Sales Reports:

The SA1000 report for the week ending June 20, 2004 shows retail sales were up 9.5%, on-premise sales were up almost 7%, off-premise sales were down a little over -.10%, and total aggregate sales were up 5.65%.

The W-1 Total Weekly Sales report for the same week confirms total sales were up 5.65% of \$401,597 for the weekly comparison, and were also up for the year by 7.19% or \$24,237,780. Wine sales decreased for the week by 3.54% or (\$111,764), but increased for the year by 6.96% or \$10,861,498. Sales of spirits were up 12.98% or \$513,361 for the week, and were also up year-to-date by 7.38% or \$13,376,481.

B. Budget/Administrative Reports:

There was nothing of significance to report regarding outstanding depletions or post-offs over the past week.

A large number of gift cards have been activated or sold. 4,190 of these are associated with the Horizon Beverages program, representing a total of \$26,000.

Craig sent out an e-mail about a week ago regarding installation of the new fire alarm system utilizing strobe lights and horns in headquarters and the warehouse. Work is currently beginning in the warehouse and will switch over to headquarters within a couple of weeks. The fire department will require that a room number be affixed to every door.

The last Governor and Council meeting of the year will take place tomorrow, with a 45-page agenda. The Commission has the Johnson Controls and American Express contracts on the agenda, along with a budget transfer request of \$164,000. It is unknown at this time why the Governor pulled the ACR contract off. Commissioner Russell pointed out that the Keene bridge item is also of importance to the Commission.

Craig reminded the Bureau Chiefs that they were provided a copy of the business continuity plan to review, and that it would be in their best interest to take time to do so. The plan is available on our intranet under Admin Services Information. Craig expects that the plan will probably be modified after we conduct our first complete exercise. Craig stressed that it is in every Bureau Chief's interest to understand how this plan functions and how it affects each chief's respective bureau. He will bring to the Commission within several weeks the standing committees which will be involved.

The price to install the cabinet with the server in the mezzanine area of the Hampton store will increase from \$8,000 to include an additional \$2,000 for the cost of stairs to access the area. Craig asked the Commission to reconsider their decision of several weeks ago, and allow the server to be installed in the back of conference room at a cost of \$2,000. It was moved by Commissioner Maiola, seconded by Commissioner Russell that this be approved, with the provision that the server could be moved to the mezzanine area in the future, if necessary.

The W-6 Expense Budget Activity Report as of 6/15/04 shows the year to be at about 96% expired, with total expenditures at around 92% of the budget. Updated numbers showed about the same results. Yesterday a letter was sent to Administrative Services requesting to balance the deficits. Accounting is also working on providing budget revenue estimates by June 25th per request from Administrative Services.

C. Human Resources Report:

Evie has requested through Liberty Mutual a detailed report on workers' compensation, which she hopes to have by the end of next week. Claims are currently at over \$600,000. She has also requested that they take a look at some of the older claims, one of which is outstanding from 1980. There are four others they will review to determine if anything can be done.

Sometime in the future, Evie would like to bring a program to the Commission which is headed by an individual from EAP who works out of Health & Human Services. Training is provided as part of the program, which Evie feels this would be very beneficial for both Enforcement and store management. Craig said he would make an effort to obtain funds for this.

2. IT Report

Ability has been given to four licensees to do credit card orders on the web. A watch will be kept on these orders next week to see if they are going through correctly. If so, this ability will be extended to all other licensees.

Password changes implementations for the stores continue, with work being done on data in third cluster stores this morning.

IT is continuing with the conversion for the licensee 2000 system at Enforcement. The communications line was installed yesterday, and the project should be completed by June 30th.

Howard received an e-mail from Enforcement saying that the wireless system network in the Weirs area worked out quite well.

II. MARKETING & SALES REPORTS

1. Store Operations:

John Bunnell reported that spirit suppliers did a very good business in the Lakes Region (especially Jack Daniels) during this year's Motorcycle Week. Store #42 Meredith was up over 44%, Store #56 Gilford up by 99%, Store #46 Ashland was up 74.7%, and Store #75 Belmont had an increase of over 53%. Sales for the new Seabrook store totaled a little over \$18,500.

2. Purchasing Report:

The out-of-stock situation continues to be in very good shape. There are several wines which are not in stock for the summer program, but will be received this week, according to the brokers.

3. Merchandising Report:

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Cles des Ducs Armagnac):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Cles des Ducs for a new test market listing for Cles des Ducs Armagnac, 750ML size (assigned four-digit Code

#4540, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Vermont Gold Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Duncan Spirits for a new test market listing for Vermont Gold Vodka, 750ML size (assigned three-digit Code #117), with limited distribution to specialty stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Results (Code #4520):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the delisting of Code #4520, Remy Martin XO Cognac, 200ML size, as it failed to reach gross profit requirements at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Size Extensions:

a. Size Extension Request (Smirnoff Vanilla Twist Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America for an added size listing for Smirnoff Vanilla Twist Vodka, 375ML size (assigned four-digit Code #3891), as this brand in the 750ML size has exceeded the gross profit required for a size extension, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Size Extension Request (Bacardi Vanila Rum):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Bacardi USA for an added size listing for Bacardi Vanila Rum, 1.75L size (assigned four-digit Code #4211), as this

brand in the 750ML size has exceeded the gross profit required for a size extension, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Purchase of Miller's Gin 50ML:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from Martignetti Companies of N.H. for the Commission to make a special purchase of Miller's Gin, 50ML size (assigned four-digit Code #3461) at no cost to the state, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Purchase of Discontinued Product:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/White Rock Distilleries for the Commission to purchase cases remaining in the Concord warehouse of delisted Code #4888, Jenkins Coffee Brandy and delisted Code #4948, Jenkins Ginger Brandy, 750ML sizes, to be placed on sale to assist in depleting remaining inventory, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Swap Request:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Castle Brands/MHW to conduct a swap which would delist Code #3633, Boru Irish Vodka, 750ML size, to be placed on sale to assist in depleting remaining inventory, and replace it with Code #3667, Boru Irish Vodka, 1.75L size, with limited distribution to Cluster 1, 2 and 3 stores only during a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) August/September Special Offers:

a. 1 item – Phoenix Marketing (Aug./Sept.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from Phoenix Marketing Group, based upon depletions of one (1) spirit item, to be featured on sale during

August and September 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 15 items – M.S. Walker, Inc. (August):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of fifteen (15) spirit items, to be featured on sale during August 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 6 items – Pine State Trading Company (August):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Pine State Trading Company, based upon depletions of six (6) spirit items, to be featured on sale during August 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 61 items – United Beverages, Inc. (August):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions of sixty-one (61) spirit items, to be featured on sale during August 2004, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) New Wine Product Listings (full distribution – Code #28146):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve full distribution, to be available for all stores to order if needed, of Code #28146, Kris Heart Merlot, 750ML, as this item earned a gross profit of at least \$6,500 during a twelve-month period, the majority of which was in the retail and on-premise markets, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Special Offers for August 2004:

a. 1 item – R.P. Imports:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a special offer from R.P. Imports, based upon depletions of one (1) wine item, to be featured on sale during August 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 9 items – R.P. Imports:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions of nine (9) wine items, to be featured on sale during August 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 30 items – M.S. Walker, Inc.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, Inc., based upon depletions of thirty (30) wine items, to be featured on sale during August 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 8 items – Perfecta Wine Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions of eight (8) wine items, to be featured on sale during August 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 70 items – Executive Wine & Spirits:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions of seventy (70) wine items, to

be featured on sale during August 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 74 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions of seventy-four (74) wine items, to be featured on sale during August 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. 147 items – Martignetti Companies of N.H.:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions of one hundred forty-seven (147) wine items, to be featured on sale during August 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) New Hampshire state Liquor Commission 2004 Wine Tastings:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a change in date for the Hanover Rotary Club wine tasting from September 16 to September 23, 2004, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Recommended Wine Specialty Products (4 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve four (4) wine codes to be designated as wine specialty products, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Recommended Allocated Wines for Distribution to Selected Stores (13 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve thirteen (13) allocated wine items for

distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) “R” Wines for Allocation to Licensees and Retail Distribution (1 item):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve one (1) restricted wine for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Primary Source Submissions (7 items – exclusive agent; 14 items – imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of seven (7) wine codes which are not from primary source, but are offered by the exclusive marketing agent and fourteen (14) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – None.

IV. CHAIRMAN’S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated June 17 through June 22, 2004. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other: None.

Anthony C. Maiola, Chairman

Patricia T. Russell, Commissioner

